



Health Services
LOS ANGELES COUNTY

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January 13, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF REVISED REIMBURSEMENT RATES AND
PHYSICIAN SERVICES FOR INDIGENTS PROGRAM (PSIP)
AGREEMENTS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

SUBJECT

Request approval of revised rates and agreements to reimburse non-County physicians for providing emergency services to indigents.

IT IS RECOMMENDED THAT YOUR BOARD:

1. ~~Approve and delegate authority to the Interim Director of Health Services, or his designee, to reduce the initial reimbursement rate for PSIP to 27 percent of the Official County Fee Schedule (OCFS) for Fiscal Year (FY) 2008-09 and offer revised emergency physician services agreements for FY 2008-09, to eligible non-County physicians providing emergency services at non-County emergency hospitals.~~
2. ~~Delegate authority to the Interim Director of Health Services, or his designee, to offer new emergency physician services agreements to eligible providers, upon review and approval by County Counsel and the Chief Executive Officer and notification to your Board.~~

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through leadership,
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*APPROVED ON
JANUARY 13, 2009
AGENDA No. 14.*



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3. Delegate authority to the Interim Director of Health Services, or his designee, on a year to year basis, up to a maximum of five years to further reduce the reimbursement rate in future fiscal years, up to a minimum of 25 percent; authorize supplemental payments if significant funding remains in the PSIP at fiscal year end; and offer revised emergency physician services agreements, upon review and approval by County Counsel and the Chief Executive Officer and notification to your Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the recommended actions will allow the Interim Director to reduce the initial reimbursement rate for non-County physician emergency services claims from 29 percent to 27 percent of the OCFS effective with July 1, 2008 service dates, as stated in Exhibit I, and offer revised emergency physician services agreements, substantially similar to Exhibit II, which incorporate the OCFS and the revised emergency services reimbursement rate for FY 2008-09.

In addition, delegated authority will allow the Interim Director to offer new emergency physician services agreements to eligible providers within the parameters set forth herein; reduce the initial reimbursement rate to no less than 25 percent of OCFS in future fiscal years, as necessary, to ensure all claims submitted by non-County physicians providing emergency services at non-County emergency hospitals are at least partially reimbursed, and to subsequently increase the rate, not to exceed 34 percent of OCFS, if significant funding remains at fiscal year end in the PSIP.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Service Excellence of the County's Strategic Plan by enhancing the County's ability to prepare hospitals and supporting health care systems to deliver coordinated and effective care to victims of terrorism and other public health emergencies.

FISCAL IMPACT/FINANCING

Funding for PSIP emergency services claims, to the extent available, will be provided 100 percent by Emergency Medical Services Appropriation (EMSA), SB 612 (Maddy)/SB 1773, and "Measure B" Trauma Property Assessment funds (for St. Francis Medical Center emergency services claims.) Funding for these services is included in the Department's FY 2008-09 Final Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

SB 612 (Maddy)

In 1987, the California Legislature enacted Chapter 1240, Statutes of 1987, allowing counties to establish an Emergency Medical Services Maddy fund to compensate physicians and medical facilities for non-trauma emergency services provided to indigent patients. The funds (SB 612 funds) are derived from additional penalties assessed on fines and bail forfeitures that the courts collect for certain criminal offenses and motor vehicle violations. The formula for fund distribution, including the percentage for the PSIP, is specified in the California Health and Safety Code, Section 1797.98a. Early in the program, the annual deposits to the County's PSIP exceeded reimbursements, creating a surplus maintained in a growing reserve fund. This reserve fund totaled \$12.0 million at the end of FY 2000-01. Factors that have reduced this reserve fund are the increase in the number of physicians participating in the reimbursement program; an increase in reimbursement rates prompted by problems maintaining physician call panels for hospital emergency departments; legislation placing a limit on the amount of reserve funds allowed; and the elimination of the California Healthcare for Indigent Patients (CHIP) allocation in FY 2008-09.

Proposition 99

In October 1989, the Governor signed into law AB 75 which contained provisions for the distribution of Proposition 99 Tobacco Tax revenues. AB 75 established the CHIP, a program that appropriates Statewide funding for hospitals, physicians and other health services for indigent persons. These funds are allocated to counties based primarily on each county's share of the financial burden of providing health services to those who are unable to pay. AB 75 dictates the portion of these funds that must be allocated to the County's PSIP. Over the years, Proposition 99 funding for the PSIP steadily decreased, with no funding provided in FY 2002-03 or FY 2003-04. The decline in this revenue source greatly contributed to the increasing use of the SB 612 reserve fund to maintain the OCFS. There has been some restoration of Proposition 99 funding through FY 2007-08, but the State has eliminated this funding as of FY 2008-09.

EMSA

Starting in FY 2001-02, to partially restore diminishing Proposition 99 funds available for the PSIP, the State's budget has included an EMSA effective FY 2001-02, specifically for reimbursement of non-trauma emergency physician services provided to indigent patients.

Measure B

On February 22, 2005, your Board approved the Trauma Center Service Augmentation Agreement with St. Francis Medical Center with provisions and funding for increased emergency room and trauma patient volume. "Measure B" funds were appropriated to backfill a shortfall of other State and local funding needed to maintain the current reimbursement rates for the PSIP at St. Francis Medical Center and the Countywide non-County Physician Trauma Services for Indigents Program for all private trauma centers. The Department of Health Services (DHS) will seek Board approval for any further allocation of Measure B funds.

SB 1773

On March 6, 2007, your Board approved a resolution to implement the provisions of SB 1773. SB 1773 allowed the Board to levy an additional penalty in the amount of \$2 for every \$10, upon fines, penalties, and forfeitures collected for certain criminal offenses for support of emergency medical services. This legislation was to be repealed on January 1, 2009, however, AB 2702 was passed on September 25, 2008 to extend this provision until January 1, 2014. On September 28, 2008, AB 3076 was passed to revise SB 1773's language to allow the county to collect these penalties on traffic school fees as well, resulting in an additional \$2.1 million allocated for non-County physicians through September 2008.

Revised Reimbursement Rates

On February 7, 2006, your Board approved DHS' request to reduce the initial reimbursement rate for non-County physician services claims, from 34 percent to 29 percent effective July 1, 2005. Significant funding remained at year end for FY 2005-06 and a supplemental payment was made which represented an increase from 29 percent to 34 percent.

The reimbursement rate must be reduced to 27 percent to ensure there are sufficient funds available to provide an equivalent reimbursement rate for all FY 2008-09 claims due to static revenue streams and rising claim volumes. Continuing with the reimbursement rate of 29 percent could result in non-payment of some claims. Should a significant amount of funding remain after payment of all claims a supplemental payment may be made, not to exceed 34 percent, as specified in Exhibit II. The reimbursement rate for trauma services claims will remain at 50 percent of the OCFS.

Additional funds received from SB 1773 have augmented the funding available to pay for medically indigent emergency services. However, despite this additional revenue,

the County is projecting insufficient funding to reimburse all claims at the 29 percent rate because the number of physicians participating in the program has increased by 14 percent from FY 2005-06 to FY 2007-08 and claims have increased a projected 27 percent from FY 2005-06 to FY 2007-08.

In the event the State legislature should revise existing law governing administration of PSIP funding sources, it may be necessary to accordingly revise the County's PSIP policies and procedures.

The Department established the Physician Reimbursement Advisory Committee (PRAC) pursuant to provisions of the State of California Welfare and Institutions Code ("WIC"), Sections 16950, et seq., and Health and Safety Code ("HSC"), Section 1797.98a, et seq., as an advisory committee to DHS to make recommendations on physician reimbursement policies and procedures and to review appeals of adjudicated or denied claims. The membership is comprised primarily of physicians representing such organizations as the Los Angeles County Medical Association, the California Chapter of the American College of Emergency Physicians, and the County's Trauma Hospital Advisory Committee. Other members represent the Hospital Council of Southern California, billing agencies, and DHS. The PRAC supports this recommendation.

County Counsel has reviewed and approved Exhibit II as to use and form.

CONTRACTING PROCESS

Any non-County physician providing emergency services to indigent patients at non-County hospitals is eligible to participate in the PSIP by completing the FY 2008-09 Conditions of Participation Agreement and the Enrollment Form.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the revised reimbursement rate will ensure payment for all submitted claims for FY 2008-09.

The Honorable Board of Supervisors
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CONCLUSION

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John F. Schunhoff', written in a cursive style.

John F. Schunhoff, Ph.D.
Interim Director

JFS:ja

Attachments (2)

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

PSIP BL